Decline in credit share to small scale sector

2505. SHRI V. V. RAGHAVAN:
SHRI J. CHITHARANJAN:

Will the Minister of FINANCE be pleased to state:

(a) whether there is a decline in the share of credit to the Small Scale Sector out of the total credit given by the commercial banks; and

(b) if so, details in this regard and reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The amount of advance to Small Scale Industries (SSI) Sector outstanding in the books of public sector banks as against the net bank credit (NBC) for the last three years as reported by Reserve Bank of India, is as under:

Rs. in crores

Year	Net Bank Credit (NBC)	Outstanding Advances of SSI Sector
1998-1999	246203.42	42674.01
1999-2000	292942.54	45787.78
2000-2001	340887.93	48445.25

Declining Trend in Bank Credit

2506. SHRI RUMANDLA RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether the declining trend in bank credit continued in June, 2001, despite a decline in interest rates in May, 2001;

(b) if so, whether the fall in bank credit is primarily due to reduction in the non-food credit which declined by Rs. 6,931 crore to Rs. 4,66,962 crore; and

(c) if so, what are the steps the Government proposed to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The outstanding amount of bank credit for the months of May and June 2001 (on last Reporting Friday basis) and variation during June, 2001 are given below:

Monthly Variation in Bank Credit: Scheduled Commercial Banks
Financial Year 2001-02

Item	Outstanding		Variation
	As on May 18, 2001	As on June 29, 2001	June 29, 2001 over May 18, 2001
Bank Credit (a+b) of which	520329	518657	-1672(-0.3)
(a) Food Credit	46436	50340	+3904
(b) Non-Food Bank Credit	473893	468317	-5576(-1.2)

(Figures in bracket indicate percentage variation over the previous month)

As can be seen from the above, between May and June 2001, bank credit declined by Rs. 1,672 crore from Rs. 5,20,329 crore as on May 18, 2001 to Rs. 518657 crore by June 29, 2001 mainly due to a decline in non-food credit of Rs. 5576 crore from Rs. 4,73,893 crore to Rs. 468317 crore. However, food credit had increased by Rs. 3904 crore from Rs. 46,436 crore to Rs. 50,340 crore during the same period.

(c) The Monetary and Credit Policy of April 2001 had indicated that the Reserve Bank of India would ensure that all legitimate requirements for credit are met consistent with price stability. Adequate flexibility has been given to banks in prescribing interest rate and facilitates credit flow. The interest rates have, in fact, softened in line with the expectations. Credit pick-up depends on the overall growth and business confidence and it would pick-up with changes in perceptions and increased investor confidence about the overall prospects of the economy.

Relaxation in Prudential Norms of Cooperative Banks

2507. SHRI RUMANDLA RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether a section of cooperative banks have decided to approach the Central Bank seeking relaxation of the stringent prudential norms announced in the monetary policy on 19th April, 2001;

(b) if so, whether some cooperative banks felt that the policy is very restrictive and would impact the bottomline of the banks;

(c) if so, whether chiefs of some large cooperative banks held a meeting with senior officials of the Reserve Bank of India in the month of May, 2001; and